



General Assembly

January Session, 2005

Amendment

LCO No. 6927

HB0690606927HDO

Offered by:

REP. FONTANA, 87th Dist.
SEN. FONFARA, 1st Dist.
REP. DELGOBBO, 70th Dist.
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To: Subst. House Bill No. 6906

File No. 220

Cal. No. 212

"AN ACT CONCERNING ENERGY INDEPENDENCE."

1 Strike everything after the enacting clause and substitute the
2 following in lieu thereof:

3 "Section 1. Subsection (a) of section 16-1 of the general statutes is
4 amended by adding subdivisions (42) to (44), inclusive, as follows
5 (*Effective from passage*):

6 (NEW) (42) "Combined heat and power system" means a system
7 that produces, from a single source, both electric power and thermal
8 energy used in any process that results in an aggregate reduction in
9 electricity use;

10 (NEW) (43) "Grid-side distributed resources" means the generation
11 of electricity from a unit with a rating of not more than sixty-five

12 megawatts that is connected to the transmission or distribution system,
13 which units may include, but are not limited to, units used primarily to
14 generate electricity to meet peak demand; and

15 (NEW) (44) "Class III renewable energy source" means the electricity
16 output from combined heat and power systems with an operating
17 efficiency level of no less than fifty per cent that are part of customer-
18 side distributed resources developed at commercial and industrial
19 facilities in this state on or after January 1, 2006, or the electricity
20 savings created at commercial and industrial facilities in this state from
21 conservation and load management programs begun on or after
22 January 1, 2006.

23 Sec. 2. Subdivisions (40) and (41) of subsection (a) of section 16-1 of
24 the general statutes are repealed and the following is substituted in
25 lieu thereof (*Effective from passage*):

26 (40) ["Distributed generation"] "Customer-side distributed
27 resources" means (A) the generation of electricity from a unit with a
28 rating of not more than sixty-five megawatts on the premises of [an] a
29 retail end user within the transmission and distribution system
30 including, but not limited to, fuel cells, photovoltaic systems or small
31 wind turbines, or (B) a reduction in the demand for electricity on the
32 premises of a retail end user in the distribution system through
33 methods of conservation and load management, including, but not
34 limited to, peak reduction systems and demand response systems;
35 [and]

36 (41) "Federally mandated congestion [costs] charges" means any cost
37 approved by the Federal Energy Regulatory Commission as part of
38 New England Standard Market Design including, but not limited to,
39 locational marginal pricing, locational installed capacity payments, any
40 cost approved by the Department of Public Utility Control to reduce
41 federally mandated congestion charges in accordance with this section,
42 sections 16-19ss, 16-32f, 16-50i, 16-50k, 16-50x, 16-244c, 16-244e, 16-
43 245m and 16-245n, as amended by this act, and sections 8 to 17,

44 inclusive, and 20 and 21 of this act and reliability must run contracts.

45 Sec. 3. Subsection (d) of section 16-19ss of the general statutes is
46 repealed and the following is substituted in lieu thereof (*Effective from*
47 *passage*):

48 (d) Nothing in this section shall be construed to allow an electric
49 distribution company to own, operate, lease or control any facility or
50 asset that generates electricity, or retain any interest in such facility or
51 asset as part of any transaction concluded pursuant to this section,
52 except as provided in subsection (e) of section 16-244e, as amended by
53 this act, and section 12 of this act.

54 Sec. 4. Subdivision (6) of subsection (a) of section 16-244e of the
55 general statutes is repealed and the following is substituted in lieu
56 thereof (*Effective from passage*):

57 (6) Once unbundling is completed to the satisfaction of the
58 department and consistent with the provisions of section 16-244, (A)
59 any corporate affiliate or separate division that provides electric
60 generation services as a result of unbundling pursuant to this
61 subsection shall be considered a generation entity or affiliate of the
62 electric company, and the division or corporate affiliate of the electric
63 company that provides transmission and distribution services shall be
64 considered an electric distribution company, and (B) an electric
65 distribution company shall not own or operate generation assets,
66 except as provided in subsection (e) of section 16-244e, as amended by
67 this act, and section 12 of this act.

68 Sec. 5. Section 16-245m of the general statutes is repealed and the
69 following is substituted in lieu thereof (*Effective from passage*):

70 (a) (1) On and after January 1, 2000, the Department of Public Utility
71 Control shall assess or cause to be assessed a charge of three mills per
72 kilowatt hour of electricity sold to each end use customer of an electric
73 distribution company to be used to implement the program as
74 provided in this section for conservation and load management

75 programs but not for the amortization of costs incurred prior to July 1,
76 1997, for such conservation and load management programs.

77 (2) Notwithstanding the provisions of this section, receipts from
78 such charge shall be disbursed to the resources of the General Fund
79 during the period from July 1, 2003, to June 30, 2005, unless the
80 department shall, on or before October 30, 2003, issue a financing order
81 for each affected electric distribution company in accordance with
82 sections 16-245e to 16-245k, inclusive, to sustain funding of
83 conservation and load management programs by substituting an
84 equivalent amount, as determined by the department in such financing
85 order, of proceeds of rate reduction bonds for disbursement to the
86 resources of the General Fund during the period from July 1, 2003, to
87 June 30, 2005. The department may authorize in such financing order
88 the issuance of rate reduction bonds that substitute for disbursement to
89 the General Fund for receipts of both the charge under this subsection
90 and under subsection (b) of section 16-245n, as amended by this act,
91 and also may, in its discretion, authorize the issuance of rate reduction
92 bonds under this subsection and subsection (b) of section 16-245n, as
93 amended by this act, that relate to more than one electric distribution
94 company. The department shall, in such financing order or other
95 appropriate order, offset any increase in the competitive transition
96 assessment necessary to pay principal, premium, if any, interest and
97 expenses of the issuance of such rate reduction bonds by making an
98 equivalent reduction to the charge imposed under this subsection,
99 provided any failure to offset all or any portion of such increase in the
100 competitive transition assessment shall not affect the need to
101 implement the full amount of such increase as required by this
102 subsection and by sections 16-245e to 16-245k, inclusive. Such
103 financing order shall also provide if the rate reduction bonds are not
104 issued, any unrecovered funds expended and committed by the
105 electric distribution companies for conservation and load management
106 programs, provided such expenditures were approved by the
107 department after August 20, 2003, and prior to the date of
108 determination that the rate reduction bonds cannot be issued, shall be

109 recovered by the companies from their respective competitive
110 transition assessment or systems benefits charge but such expenditures
111 shall not exceed four million dollars per month. All receipts from the
112 remaining charge imposed under this subsection, after reduction of
113 such charge to offset the increase in the competitive transition
114 assessment as provided in this subsection, shall be disbursed to the
115 Energy Conservation and Load Management Fund commencing as of
116 July 1, 2003. Any increase in the competitive transition assessment or
117 decrease in the conservation and load management component of an
118 electric distribution company's rates resulting from the issuance of or
119 obligations under rate reduction bonds shall be included as rate
120 adjustments on customer bills.

121 (b) The electric distribution company shall establish an Energy
122 Conservation and Load Management Fund which shall be held
123 separate and apart from all other funds or accounts. Receipts from the
124 charge imposed under subsection (a) of this section shall be deposited
125 into the fund. Any balance remaining in the fund at the end of any
126 fiscal year shall be carried forward in the fiscal year next succeeding.
127 Disbursements from the fund by electric distribution companies to
128 carry out the plan developed under subsection (d) of this section shall
129 be authorized by the Department of Public Utility Control upon its
130 approval of such plan.

131 (c) The Department of Public Utility Control shall appoint and
132 convene an Energy Conservation Management Board which shall
133 include representatives of: (1) An environmental group knowledgeable
134 in energy conservation program collaboratives; (2) the Office of
135 Consumer Counsel; (3) the Attorney General; (4) the Department of
136 Environmental Protection; (5) the electric distribution companies in
137 whose territories the activities take place for such programs; (6) a state-
138 wide manufacturing association; (7) a chamber of commerce; (8) a
139 state-wide business association; (9) a state-wide retail organization;
140 (10) a representative of a municipal electric energy cooperative created
141 pursuant to chapter 101a; (11) two representatives selected by the gas
142 companies in this state; and [(10)] (12) residential customers. Such

143 members shall serve for a period of five years and may be reappointed.
144 Representatives of the gas companies shall not vote on matters
145 unrelated to gas conservation. Representatives of the electric
146 distribution companies and the municipal electric energy cooperative
147 shall not vote on matters unrelated to electricity conservation.

148 (d) (1) The Energy Conservation Management Board shall advise
149 and assist the electric distribution companies in the development and
150 implementation of a comprehensive plan, which plan shall be
151 approved by the Department of Public Utility Control, to implement
152 cost-effective energy conservation programs and market
153 transformation initiatives. The plan shall be consistent with the
154 comprehensive energy plan approved by the Connecticut Energy
155 Advisory Board pursuant to section 16a-7a at the time of submission to
156 the department. Each program contained in the plan shall be reviewed
157 by the electric distribution company and either accepted or rejected by
158 the Energy Conservation Management Board prior to submission to
159 the department for approval. The Energy Conservation Management
160 Board shall, as part of its review, examine opportunities to offer joint
161 programs providing similar efficiency measures that save more than
162 one fuel resource or otherwise to coordinate programs targeted at
163 saving more than one fuel resource. Any costs for joint programs shall
164 be allocated equitably among the conservation programs. The Energy
165 Conservation Management Board shall give preference to projects that
166 maximize the reduction of federally mandated congestion charges.

167 (2) There shall be a joint committee of the Energy Conservation
168 Management Board and the Renewable Energy Investments Advisory
169 Committee. The board and the advisory committee shall each appoint
170 members to such joint committee. The joint committee shall examine
171 opportunities to coordinate the programs and activities funded by the
172 Renewable Energy Investment Fund pursuant to section 16-245n, as
173 amended by this act, with the programs and activities contained in the
174 plan developed under this subsection to reduce the long-term cost,
175 environmental impacts and security risks of energy in the state. Such
176 joint committee shall hold its first meeting on or before August 1, 2005.

177 [(2)] (3) Programs included in the plan developed under subdivision
178 (1) of subsection (d) of this section shall be screened through cost-
179 effectiveness testing which compares the value and payback period of
180 program benefits to program costs to ensure that programs are
181 designed to obtain energy savings and system benefits, including
182 mitigation of federally mandated congestion charges, whose value is
183 greater than the costs of the programs. Cost-effectiveness testing shall
184 utilize available information obtained from real-time monitoring
185 systems to ensure accurate validation and verification of energy use.
186 Program cost-effectiveness shall be reviewed annually, or otherwise as
187 is practicable. If a program is determined to fail the cost-effectiveness
188 test as part of the review process, it shall either be modified to meet the
189 test or shall be terminated. On or before March 1, 2005, and [March 1,
190 2006] on or before March first annually thereafter, the board shall
191 provide a report, in accordance with the provisions of section 11-4a, to
192 the joint standing committees of the General Assembly having
193 cognizance of matters relating to energy and the environment [which]
194 (A) that documents expenditures and fund balances and evaluates the
195 cost-effectiveness of such programs conducted in the preceding year,
196 and (B) that documents the extent to and manner in which the
197 programs of such board collaborated and cooperated with programs,
198 established under section 17 of this act, of municipal electric energy
199 cooperatives. To maximize the reduction of federally mandated
200 congestion charges, programs in the plan may allow for
201 disproportionate allocations between the amount of contributions to
202 the Energy Conservation and Load Management Funds by a certain
203 rate class and the programs that benefit such a rate class. Before
204 conducting such evaluation, the board shall consult with the
205 Renewable Energy Investments Advisory Committee. The report shall
206 include a description of the activities undertaken during the reporting
207 period jointly or in collaboration with the Renewable Energy
208 Investment Fund established pursuant to subsection (c) of section 16-
209 245n, as amended by this act.

210 [(3)] (4) Programs included in the plan developed under subdivision

211 (1) of subsection (d) of this section may include, but not be limited to:
212 (A) Conservation and load management programs, including
213 programs that benefit low-income individuals; (B) research,
214 development and commercialization of products or processes which
215 are more energy-efficient than those generally available; (C)
216 development of markets for such products and processes; (D) support
217 for energy use assessment, real-time monitoring systems, engineering
218 studies and services related to new construction or major building
219 renovation; (E) the design, manufacture, commercialization and
220 purchase of energy-efficient appliances and heating, air conditioning
221 and lighting devices; (F) program planning and evaluation; (G) indoor
222 air quality programs relating to energy conservation; (H) joint fuel
223 conservation initiatives programs targeted at reducing consumption of
224 more than one fuel resource; and ~~[(H)]~~ (I) public education regarding
225 conservation. Such support may be by direct funding, manufacturers'
226 rebates, sale price and loan subsidies, leases and promotional and
227 educational activities. [Any other expenditure by the collaborative
228 shall be limited to] The plan shall also provide for expenditures by the
229 Energy Conservation Management Board for the retention of expert
230 consultants and reasonable administrative costs provided such
231 consultants shall not be employed by, or have any contractual
232 relationship with, an electric distribution company. Such costs shall
233 not exceed five per cent of the total revenue collected from the
234 assessment.

235 (e) Notwithstanding the provisions of subsections (a) to (d),
236 inclusive, of this section, the Department of Public Utility Control shall
237 authorize the disbursement of a total of one million dollars in each
238 month, commencing with July, 2003, and ending with July, 2005, from
239 the Energy Conservation and Load Management Funds established
240 pursuant to said subsections. The amount disbursed from each Energy
241 Conservation and Load Management Fund shall be proportionately
242 based on the receipts received by each fund. Such disbursements shall
243 be deposited in the General Fund.

244 (f) No later than December 31, 2006, and no later than December

245 thirty-first every five years thereafter, the Energy Conservation
246 Management Board shall, after consulting with the Renewable Energy
247 Investments Advisory Committee, conduct an evaluation of the
248 performance of the programs and activities of the fund and submit a
249 report, in accordance with the provisions of section 11-4a, of the
250 evaluation to the joint standing committee of the General Assembly
251 having cognizance of matters relating to energy.

252 Sec. 6. Section 16-245n of the general statutes is repealed and the
253 following is substituted in lieu thereof (*Effective from passage*):

254 (a) For purposes of this section, "renewable energy" means solar
255 energy, wind, ocean thermal energy, wave or tidal energy, fuel cells,
256 landfill gas, hydrogen production and hydrogen conversion
257 technologies, [and] low emission advanced biomass conversion
258 technologies, usable electricity from combined heat and power systems
259 with waste heat recovery systems, thermal storage systems and other
260 energy resources and emerging technologies which have significant
261 potential for commercialization and which do not involve the
262 combustion of coal, petroleum or petroleum products, municipal solid
263 waste or nuclear fission.

264 (b) On and after January 1, [2000] 2004, the Department of Public
265 Utility Control shall assess or cause to be assessed a charge of not less
266 than [one-half of] one mill per kilowatt hour charged to each end use
267 customer of electric services in this state which shall be deposited into
268 the Renewable Energy Investment Fund established under subsection
269 (c) of this section. [On and after July 1, 2002, such charge shall be three-
270 quarters of one mill and on and after July 1, 2004, such charge shall be
271 one mill.] Notwithstanding the provisions of this section, receipts from
272 such charges shall be disbursed to the resources of the General Fund
273 during the period from July 1, 2003, to June 30, 2005, unless the
274 department shall, on or before October 30, 2003, issue a financing order
275 for each affected distribution company in accordance with sections 16-
276 245e to 16-245k, inclusive, to sustain funding of renewable energy
277 investment programs by substituting an equivalent amount, as

278 determined by the department in such financing order, of proceeds of
279 rate reduction bonds for disbursement to the resources of the General
280 Fund during the period from July 1, 2003, to June 30, 2005. The
281 department may authorize in such financing order the issuance of rate
282 reduction bonds that substitute for disbursement to the General Fund
283 for receipts of both charges under this subsection and subsection (a) of
284 section 16-245m, as amended by this act, and also may in its discretion
285 authorize the issuance of rate reduction bonds under this subsection
286 and subsection (a) of section 16-245m, as amended by this act, that
287 relate to more than one electric distribution company. The department
288 shall, in such financing order or other appropriate order, offset any
289 increase in the competitive transition assessment necessary to pay
290 principal, premium, if any, interest and expenses of the issuance of
291 such rate reduction bonds by making an equivalent reduction to the
292 charges imposed under this subsection, provided any failure to offset
293 all or any portion of such increase in the competitive transition
294 assessment shall not affect the need to implement the full amount of
295 such increase as required by this subsection and sections 16-245e to 16-
296 245k, inclusive. Such financing order shall also provide if the rate
297 reduction bonds are not issued, any unrecovered funds expended and
298 committed by the electric distribution companies for renewable
299 resource investment through deposits into the Renewable Energy
300 Investment Fund, provided such expenditures were approved by the
301 department following August 20, 2003, and prior to the date of
302 determination that the rate reduction bonds cannot be issued, shall be
303 recovered by the companies from their respective competitive
304 transition assessment or systems benefits charge except that such
305 expenditures shall not exceed one million dollars per month. All
306 receipts from the remaining charges imposed under this subsection,
307 after reduction of such charges to offset the increase in the competitive
308 transition assessment as provided in this subsection, shall be disbursed
309 to the Renewable Energy Investment Fund commencing as of July 1,
310 2003. Any increase in the competitive transition assessment or decrease
311 in the renewable energy investment component of an electric
312 distribution company's rates resulting from the issuance of or

313 obligations under rate reduction bonds shall be included as rate
314 adjustments on customer bills.

315 (c) There is hereby created a Renewable Energy Investment Fund
316 which shall be administered by Connecticut Innovations, Incorporated.
317 The fund may receive any amount required by law to be deposited
318 into the fund and may receive any federal funds as may become
319 available to the state for renewable energy investments. Connecticut
320 Innovations, Incorporated, may use any amount in said fund for
321 expenditures which promote investment in renewable energy sources
322 in accordance with a comprehensive plan developed by it to foster the
323 growth, development and commercialization of renewable energy
324 sources, related enterprises and stimulate demand for renewable
325 energy and deployment of renewable energy sources which serve end
326 use customers in this state. Such expenditures may include, but not be
327 limited to, grants, direct or equity investments, contracts or other
328 actions which support research, development, manufacture,
329 commercialization, deployment and installation of renewable energy
330 technologies, and actions which expand the expertise of individuals,
331 businesses and lending institutions with regard to renewable energy
332 technologies.

333 (d) The chairperson of the board of directors of Connecticut
334 Innovations, Incorporated, shall convene a Renewable Energy
335 Investments Advisory Committee to assist Connecticut Innovations,
336 Incorporated, in matters related to the Renewable Energy Investment
337 Fund, including, but not limited to, development of a comprehensive
338 plan and expenditure of funds. The advisory committee shall, in such
339 plan, give preference to projects that maximize the reduction of
340 federally mandated congestion charges. The plan shall be consistent
341 with the comprehensive energy plan approved by the Connecticut
342 Energy Advisory Board pursuant to section 16a-7a. The advisory
343 committee shall include not more than twelve individuals with
344 knowledge and experience in matters related to the purpose and
345 activities of said fund. The advisory committee shall consist of the
346 following members: (1) One person with expertise regarding

347 renewable energy resources appointed by the speaker of the House of
348 Representatives; (2) one person representing a state or regional
349 organization primarily concerned with environmental protection
350 appointed by the president pro tempore of the Senate; (3) one person
351 with experience in business or commercial investments appointed by
352 the majority leader of the House of Representatives; (4) one person
353 representing a state or regional organization primarily concerned with
354 environmental protection appointed by the majority leader of the
355 Senate; (5) one person with experience in business or commercial
356 investments appointed by the minority leader of the House of
357 Representatives; (6) one person with experience in business or
358 commercial investments appointed by the minority leader of the
359 Senate; (7) two state officials with experience in matters relating to
360 energy policy and one person with expertise regarding renewable
361 energy resources appointed by the Governor; and (8) three persons
362 with experience in business or commercial investments appointed by
363 the board of directors of Connecticut Innovations, Incorporated. The
364 advisory committee shall issue annually a report to such chairperson
365 reviewing the activities of the fund in detail and shall provide a copy
366 of such report, in accordance with the provisions of section 11-4a, to
367 the joint standing committee of the General Assembly having
368 cognizance of matters relating to energy, the Department of Public
369 Utility Control and the Office of Consumer Counsel. The report shall
370 include a description of the programs and activities undertaken during
371 the reporting period jointly or in collaboration with the Energy
372 Conservation and Load Management Funds established pursuant to
373 section 16-245m, as amended by this act.

374 (e) There shall be a joint committee of the Energy Conservation
375 Management Board and the Renewable Energy Investments Advisory
376 Committee, as provided in subdivision (2) of subsection (d) of section
377 16-245m, as amended by this act.

378 (f) No later than December 31, 2006, and no later than December
379 thirty-first every five years thereafter, the advisory committee shall,
380 after consulting with the Energy Conservation Management Board,

381 conduct an evaluation of the performance of the programs and
382 activities of the fund and submit a report, in accordance with the
383 provisions of section 11-4a, of the evaluation to the joint standing
384 committee of the General Assembly having cognizance of matters
385 relating to energy.

386 Sec. 7. Subsection (a) of section 16-245d of the general statutes is
387 repealed and the following is substituted in lieu thereof (*Effective July*
388 *1, 2005*):

389 (a) The Department of Public Utility Control shall, by regulations
390 adopted pursuant to chapter 54, develop a standard billing format that
391 enables customers to compare pricing policies and charges among
392 electric suppliers. Not later than January 1, 2005, the department shall
393 adopt regulations, in accordance with the provisions of chapter 54, to
394 provide that an electric supplier may provide direct billing and
395 collection services for electric generation services and related federally
396 mandated congestion [costs] charges that such supplier provides to its
397 customers that [use a demand meter or] have a maximum demand of
398 not less than [five] one hundred kilowatts and that choose to receive a
399 bill directly from such supplier. An electric company, electric
400 distribution company or electric supplier that provides direct billing of
401 the electric generation service component and related federally
402 mandated congestion [costs] charges, as the case may be, shall, in
403 accordance with the billing format developed by the department,
404 include the following information in each customer's bill, as
405 appropriate: (1) The total amount owed by the customer, which shall
406 be itemized to show, (A) the electric generation services component
407 and any additional charges imposed by the electric supplier, if
408 applicable, (B) the electric transmission and distribution charge,
409 including all applicable taxes and the systems benefits charge, as
410 provided in section 16-245l, as amended by this act, (C) the competitive
411 transition assessment, as provided in section 16-245g, (D) federally
412 mandated congestion [costs] charges, and (E) the conservation and
413 renewable energy charge, consisting of the conservation and load
414 management program charge, as provided in section 16-245m, as

415 amended by this act, and the renewable energy investment charge, as
416 provided in section 16-245n, as amended by this act; (2) any unpaid
417 amounts from previous bills which shall be listed separately from
418 current charges; (3) except for customers subject to a demand charge,
419 the rate and usage for the current month and each of the previous
420 twelve months in the form of a bar graph or other visual form; (4) the
421 payment due date; (5) the interest rate applicable to any unpaid
422 amount; (6) the toll-free telephone number of the electric distribution
423 company to report power losses; (7) the toll-free telephone number of
424 the Department of Public Utility Control for questions or complaints;
425 (8) the toll-free telephone number and address of the electric supplier;
426 and (9) a statement about the availability of information concerning
427 electric suppliers pursuant to section 16-245p.

428 Sec. 8. (NEW) (*Effective from passage*) The Department of Public
429 Utility Control shall, not later than January 1, 2006, establish a program
430 to grant awards to retail end users in the electric distribution system to
431 fund the capital costs of obtaining projects of generation-based,
432 customer-side distributed resources, as defined in section 16-1 of the
433 general statutes, as amended by this act. Any project shall receive a
434 one time, nonrecurring award in an amount of not less than one
435 hundred dollars and not more than five hundred dollars per kilowatt
436 of capacity for such generation-based, customer-side distributed
437 resources, recoverable from the federally mandated congestion
438 charges, as defined in section 16-1 of the general statutes, as amended
439 by this act. No such award may be made unless the projected
440 reduction in federally mandated congestion charges attributed to the
441 project for such distributed resources is greater than the amount of the
442 award. The amount of an award shall depend on the impact that the
443 customer-side distributed resources project has on reducing federally
444 mandated congestion charges, as defined in section 16-1 of the general
445 statutes, as amended. Not later than October 1, 2005, the department
446 shall conduct a contested case proceeding, in accordance with chapter
447 54 of the general statutes, to establish additional standards for the
448 amount of such awards and additional criteria and the process for

449 making such awards.

450 Sec. 9. (NEW) (*Effective from passage*) (a) Not later than January 1,
451 2006, the Department of Public Utility Control shall select, pursuant to
452 a competitive bid process, one or more persons to provide long-term
453 financing for customer-side distributed resources, as defined in section
454 16-1 of the general statutes, as amended by this act, and advanced
455 power monitoring and metering equipment. Such person may not be
456 an electric distribution company, as defined in said section 16-1, but
457 may be a generation affiliate of such company. The department may
458 retain a consultant to assist it in selecting such person or persons.

459 (b) A successful bidder pursuant to this section shall give preference
460 for such long-term financing to projects of customer-side distributed
461 resources and monitoring and metering equipment that maximize the
462 reduction of the federally mandated congestion charges. Costs eligible
463 for such financing shall include, but not be limited to, the capital costs
464 of projects of customer-side distributed resources and advanced power
465 monitoring and metering equipment. For financing provided by a
466 successful bidder pursuant to this section, the department shall
467 implement a buydown mechanism to reduce the effective annual
468 interest rate to the person receiving the financing to a level that is no
469 greater than the prime rate in effect on the date that the buydown
470 begins for the person receiving the financing.

471 (c) A person providing financing pursuant to this section shall, after
472 receiving approval from the department, enter into an agreement with
473 an electric distribution company, as defined in section 16-1 of the
474 general statutes, as amended by this act, for such company to provide
475 billing services with respect to the payments due to the financing
476 entity from the person receiving financing. The electric distribution
477 company, as defined in said section 16-1, shall recover all reasonable
478 costs incurred in implementing this section, including costs associated
479 with the buydown pursuant to subsection (b) of this section, as
480 federally mandated congestion charges, as defined in section 16-1 of
481 the general statutes, as amended by this act.

482 Sec. 10. (NEW) (*Effective from passage*) Not later than January 1, 2007,
483 and annually thereafter, the Department of Public Utility Control shall
484 assess the number and types of customer-side and grid-side
485 distributed resources, as defined in section 16-1 of the general statutes,
486 as amended by this act, projects financed pursuant to the provisions of
487 this act and such projects' contributions to achieving fuel diversity,
488 transmission support, and energy independence in the state. Not later
489 than January 1, 2007, and biennially thereafter, the department shall
490 collect the information in such annual assessments and report, in
491 accordance with the provisions of section 11-4a of the general statutes,
492 on the effectiveness of the award program established in section 8 of
493 this act and on its findings to the joint standing committee of the
494 General Assembly having cognizance of matters relating to energy.

495 Sec. 11. (NEW) (*Effective from passage*) On or before January 1, 2006,
496 each electric distribution company shall institute a program to rebate
497 to its customers with projects that use natural gas, which projects are
498 customer-side distributed resources, as defined in section 16-1 of the
499 general statutes, as amended by this act, an amount equivalent to the
500 customer's retail delivery charge for transporting natural gas from the
501 customer's local gas company to such customer's project of customer-
502 side distributed resources. Costs of such a rebate shall be recoverable
503 by the electric distribution company from the federally mandated
504 congestion charges, as defined in section 16-1 of the general statutes, as
505 amended by this act. The department may adopt regulations, in
506 accordance with chapter 54 of the general statutes, to implement the
507 provisions of this section.

508 Sec. 12. (NEW) (*Effective from passage*) (a) Each electric distribution
509 company shall, no later than August 1, 2005, identify any real property
510 over which such company, or a parent or affiliate of such company,
511 has a possessory interest that has characteristics suitable or beneficial
512 for use in connection with grid-side distributed resources, and that
513 could be made available through lease to a bidder selected pursuant to
514 this section.

515 (b) On or before October 1, 2005, the Department of Public Utility
516 Control shall, in consultation with the Connecticut Energy Advisory
517 Board, the electric distribution companies, the regional independent
518 system operator and other parties as the department considers
519 appropriate (1) identify the locations of new distributed electric
520 generating facilities with a capacity of sixty-five megawatts or less that
521 will maximize reductions of federally mandated congestion charges for
522 the period from January 1, 2006, to December 31, 2010, or such later
523 date specified by the department, (2) identify the appropriate size, fuel
524 source and operating features of such generating facilities, and (3)
525 identify other distributed resources.

526 (c) The Department of Public Utility Control shall, on or before
527 November 1, 2005, identify those measures that can reduce federally
528 mandated congestion charges, as defined in section 16-1 of the general
529 statutes, as amended by this act, and that can be implemented, in
530 whole or in part, on or before January 1, 2006. Such measures may
531 include, but shall not be limited to, demand response programs, other
532 distributed resources, and contracts between an electric distribution
533 company, as defined in said section 16-1, and an owner of generation
534 resources for the capacity of such resources. The department shall
535 order each electric distribution company to implement, in whole or in
536 part, on or before January 1, 2006, such measures as the department
537 considers appropriate. The company's costs associated with complying
538 with the provisions of this section shall be recoverable through the
539 charge for federally mandated congestion charges.

540 (d) On or before November 1, 2005, each electric distribution
541 company may submit a proposal to the department to build up to two
542 hundred fifty megawatts of electric generation capacity to address
543 peak demand as specified in subsection (b) of this section, provided no
544 generating facility may have a generating capacity of more than sixty-
545 five megawatts. The proposal shall describe how the company will use
546 or sell the capacity and power associated with such resources.

547 (e) On or before April 1, 2006, the department shall, in a contested

548 case proceeding conducted in accordance with chapter 54 of the
549 general statutes, approve those proposals, submitted under subsection
550 (d) of this section, that will maximize reduction of federally mandated
551 congestion charges for the period from April 1, 2006, to December 31,
552 2010, or such later date specified by the department. The aggregate
553 electric generating capacity for all approved proposals may not exceed
554 two hundred fifty megawatts of peaking generation capacity state-
555 wide. The department shall give guiding preference in approving the
556 amount of generation capacity in such proposals to the approximate
557 proportion of each company's service area load. Approved proposals
558 are eligible for rate base recovery, pursuant to section 16-19 of the
559 general statutes, subject to the provisions of subsection (f) of this
560 section. An electric distribution company shall, on or before September
561 1, 2006, submit to the Connecticut Siting Council an application for a
562 certificate of environmental compatibility and public need for those
563 proposals approved under this section that are facilities, as defined in
564 subsection (a) of section 16-50i, of the general statutes, as amended by
565 this act.

566 (f) If such a proposal from an electric distribution company is
567 approved pursuant to subsection (e) of this section, such company may
568 develop, own and operate such resource, provided such company
569 shall, not later than seven and one-half years after such resource begins
570 commercial operation (1) sell such resource in accordance with section
571 16-43 of the general statutes, or (2) auction the power or capacity, or
572 both, associated with such resource pursuant to a plan approved by
573 the department. The department shall, after notice and hearing, waive
574 the requirements of subdivisions (1) and (2) of this subsection if it
575 determines that compliance with such requirements would be
576 detrimental to retail customers.

577 (g) The department shall conduct a contested case, in accordance
578 with chapter 54 of the general statutes, to establish the principles and
579 standards to be used in developing and issuing a request for proposals
580 under subsections (h) and (m) of this section. The department shall
581 complete such contested case on or before January 1, 2006.

582 (h) On or before May 1, 2006, the department shall conduct a
583 proceeding to develop and issue a request for proposals to solicit the
584 development of long-term projects designed to reduce federally
585 mandated congestion charges for the period commencing on June 1,
586 2006, and ending on December 31, 2010, or such later date specified by
587 the department. For purposes of this section, projects shall include (1)
588 customer-side distributed resources, (2) grid-side distributed
589 resources, and (3) contracts for a term of no more than fifteen years
590 between a person and an electric distribution company for the
591 purchase of electric capacity rights in the area in which the company is
592 authorized to provide service. Such request for proposals shall
593 encourage responses from a variety of resource types and encourage
594 diversity in the fuel mix used in generation. An electric distribution
595 company may not submit proposals pursuant to this subsection.
596 Affiliates of the electric distribution company may submit proposals,
597 consistent with section 16-244h of the general statutes, regulations
598 adopted under said section 16-244h, and other requirements the
599 department may impose. The department may request from a person
600 submitting a proposal further information that it considers necessary
601 to evaluate the proposal.

602 (i) The department shall publish such request for proposals in one
603 or more newspapers or periodicals, as selected by the department, and
604 shall post such request for proposals on its web site. The department
605 may retain the services of a third-party entity with expertise in the area
606 of energy procurement to oversee the development of the request for
607 proposals and to assist the department in its approval of proposals
608 pursuant to this section. The reasonable and proper expenses for
609 retaining such third-party entity shall be reimbursed through federally
610 mandated congestion charges, as defined in section 16-1 of the general
611 statutes, as amended by this act.

612 (j) Any person submitting a proposal pursuant to subdivision (2) or
613 (3) of subsection (h) of this section shall include with its proposal a
614 draft of a contract for the transfer of the electric capacity rights
615 associated with such proposal. No such draft of a contract shall have a

616 term exceeding fifteen years.

617 (k) Each person submitting a proposal pursuant to this section shall
618 agree to forgo or credit reliability must run payments, locational
619 installed capacity payments or payments for similar purposes for any
620 project approved pursuant to subsection (l) of this section.

621 (l) The department shall, on or before August 1, 2006, evaluate such
622 proposals received pursuant to subsection (h) of this section and
623 approve one or more of such proposals that result in the greatest
624 aggregate reduction of federally mandated congestion charges for the
625 period commencing on August 1, 2006, and ending on December 31,
626 2010, or such later date specified by the department. Projects approved
627 pursuant to this subsection may enter into long-term contracts
628 pursuant to subsection (o) of this section and are eligible for expedited
629 siting pursuant to subsection (a) of section 16-50k of the general
630 statutes, as amended by this act. Customer-side distributed resource
631 projects approved pursuant to this subsection shall be eligible for the
632 incentives provided pursuant to sections 9, 11 and 14 of this act and
633 this section, but shall not be eligible for the program described in
634 section 8 of this act.

635 (m) On or before September 1, 2006, the department may conduct a
636 proceeding to develop and issue a request for proposals to solicit the
637 development of new electric generating facilities with a capacity of
638 more than sixty-five megawatts designed to reduce federally
639 mandated congestion charges for the period commencing on
640 September 1, 2006, and ending on December 31, 2010, or such later
641 date specified by the department. An electric distribution company, as
642 defined in section 16-1 of the general statutes, as amended by this act,
643 may not submit a proposal under this subsection, but a generation
644 affiliate of such company may submit such a proposal. The department
645 may request from a person submitting a proposal further information
646 that it considers necessary to evaluate the proposal.

647 (n) The department shall, on or before December 1, 2006, evaluate

648 such proposals received pursuant to subsection (m) of this section and
649 may approve one or more of such proposals that result in the greatest
650 aggregate reduction of federally mandated congestion charges for the
651 period commencing on December 1, 2006, and ending on December 31,
652 2010, or such later date specified by the department. Projects approved
653 pursuant to this subsection may enter into long-term contracts
654 pursuant to subsection (o) of this section and are eligible for expedited
655 siting pursuant to subsection (a) of section 16-50k of the general
656 statutes, as amended by this act.

657 (o) If an electric distribution company enters into a contract to
658 purchase capacity pursuant to this section, no such contract may
659 become effective without approval of the department. The department
660 shall hold a hearing that shall be conducted as a contested case, in
661 accordance with the provisions of chapter 54 of the general statutes, to
662 approve, reject or modify an application for approval of a capacity
663 purchase contract. No contract shall be approved unless the
664 department finds that approval of such contract would (1) result in the
665 lowest reasonable cost of such products and services, (2) increase
666 reliability, and (3) minimize federally mandated congestion charges to
667 the state over time. Such a contract shall contain terms that mitigate
668 the long-term risk assumed by ratepayers. No contract approved by
669 the department shall have a term exceeding fifteen years. The electric
670 distribution company shall either sell into the capacity markets all
671 capacity rights transferred pursuant to this section and use all
672 proceeds from such sales to offset federally mandated congestion
673 charges incurred by all customers, or shall retain such capacity rights
674 to offset electric capacity charges associated with transitional standard
675 offer, standard service or service as supplier of last resort under section
676 16-244c of the general statutes, as amended by this act. The costs
677 associated with long-term electric capacity contracts shall be recovered
678 through federally mandated congestion charges.

679 (p) The provisions of section 16a-7c of the general statutes shall not
680 apply to projects approved pursuant to this section.

681 (q) The department may order an electric distribution company to
682 submit a proposal pursuant to the provisions of this section and may
683 approve such a proposal under this section. Nothing in sections 16-1,
684 16-19ss, 16-32f, 16-50i, 16-50k, 16-50x, 16-244c, 16-244e, 16-245d, 16-
685 245m and 16-245n of the general statutes, as amended by this act, and
686 sections 8 to 17, inclusive, and 20 and 21 of this act shall limit the
687 department's ability to conduct requests for proposals, in addition to
688 those considered by the dates specified in subsections (h) and (m) of
689 this section, to reduce federally mandated congestion charges and to
690 approve such proposals or otherwise to meet its responsibility under
691 title 16 of the general statutes.

692 (r) The department shall hold a hearing that shall be conducted as a
693 contested case, in accordance with the provisions of chapter 54 of the
694 general statutes, to investigate any impact on the financial condition of
695 electric distribution companies of long-term contracts entered into
696 pursuant to this section and to establish, not more than six months
697 after issuing a request for proposals in accordance with subsections (h)
698 and (m) of this section, the methodology for compensating the
699 companies for such impacts. If the department determines that
700 entering into such long-term contracts results in increased costs
701 incurred by the electric distribution companies, the department shall
702 allow such costs to be recovered either (1) through rates in such
703 manner as the department considers appropriate, or (2) by assessing,
704 annually during the term of the contract, those entities receiving long-
705 term contracts.

706 (s) For purposes of subdivision (1) of subsection (c) of section 16-50p
707 of the general statutes, there shall be a rebuttable presumption that
708 there is a public benefit in building a facility, as defined in subdivision
709 (1) of subsection (a) of section 16-50i of the general statutes, as
710 amended by this act, that has been approved by the Department of
711 Public Utility Control pursuant to subsection (e), (l) or (n) of this
712 section.

713 Sec. 13. (NEW) (*Effective from passage*) (a) Not later than October 1,

714 2005, each electric distribution company, as defined in section 16-1 of
715 the general statutes, as amended by this act, shall submit an
716 application to the Department of Public Utility Control to (1) on or
717 before January 1, 2007, implement mandatory peak, shoulder and off-
718 peak time of use rates for customers that have a maximum demand of
719 not less than three hundred fifty kilowatts, and (2) on or before June 1,
720 2006, offer optional interruptible or load response rates for customers
721 that have a maximum demand of not less than three hundred fifty
722 kilowatts and offer optional seasonal and time of use rates for all
723 customers. The application shall propose to establish time of use rates
724 through a procurement plan, revenue neutral adjustments to delivery
725 rates, or both.

726 (b) From March 1, 2006, until December 31, 2006, each electric
727 distribution company shall issue comparative analyses to customers
728 that have a maximum demand of not less than three hundred fifty
729 kilowatts that would demonstrate, at current levels of consumption,
730 the effects of the mandatory time of use rates as specified in
731 subdivision (l) of subsection (a) of this section to be effective beginning
732 January 1, 2007.

733 (c) Not later than November 1, 2005, each electric distribution
734 company shall submit an application to the Department of Public
735 Utility Control to implement mandatory seasonal rates for all
736 customers beginning April 1, 2007.

737 (d) From April 1, 2006, until March 31, 2007, each electric
738 distribution company shall issue comparative analyses to all customers
739 that demonstrate, at current levels of consumption, the effects of the
740 mandatory seasonal rates that will be effective beginning April 1, 2007.

741 (e) The department shall hold a hearing that shall be conducted as a
742 contested case, in accordance with the provisions of chapter 54 of the
743 general statutes, to approve, reject or modify applications submitted
744 pursuant to subsection (a) or (c) of this section. No application for time
745 of use rates shall be approved unless (1) such rates reasonably reflect

746 the cost of service during peak, shoulder, seasonal and off-peak
747 periods, and (2) the costs associated with implementation, the impact
748 on customers and benefits to the utility system justify implementation
749 of such rates, and (3) such rates alter patterns of customer
750 consumption of electricity without undue adverse effect on the
751 customer.

752 (f) Each electric distribution company shall assist customers to help
753 manage loads and reduce peak consumption through the
754 comprehensive plan developed pursuant to section 16-245m of the
755 general statutes, as amended by this act.

756 (g) The department shall conduct a contested case, in accordance
757 with chapter 54 of the general statutes, to determine the standards
758 under which, and process by which, a customer, having a maximum
759 demand of three hundred fifty kilowatts or more, may obtain an
760 exemption, until July 1, 2010, from mandatory time of use rates as
761 specified in subdivision (1) of subsection (a) of this section. The
762 department shall issue a decision in the contested case no later than
763 January 1, 2006.

764 Sec. 14. (NEW) (*Effective from passage*) (a) If a customer's customer-
765 side distributed resource capacity implemented after January 1, 2006,
766 is less than the customer's maximum metered peak load, the customer
767 shall not be required to pay back-up power rates if the customer's
768 distributed resources are available during system peak periods,
769 provided the customer shall continue to be required to pay otherwise
770 applicable charges for electricity provided by the electric distribution
771 company.

772 (b) The costs that a customer is not required to pay pursuant to
773 subsection (a) of this section shall be recoverable through federally
774 mandated congestion charges by the electric distribution companies.

775 Sec. 15. (NEW) (*Effective from passage*) (a) An electric distribution
776 company may recover its costs and investments that have been
777 prudently incurred under the provisions of sections 16-1, 16-19ss, 16-

778 50k, 16-50x, 16-244c, 16-244e, 16,245d, 16-245m, and 16-245n, of the
779 general statutes, as amended by this act, and sections 8 to 17, inclusive,
780 and 20 and 21 of this act. The Department of Public Utility Control
781 shall, after a hearing held pursuant to the provisions of chapter 54 of
782 the general statutes, determine the appropriate mechanism to obtain
783 cost recovery in a timely manner which mechanism may be one or
784 more of the following: (1) Approval of rates as provided in sections 16-
785 19 and 16-19e of the general statutes; (2) the energy adjustment clause
786 as provided in section 16-19b of the general statutes; or (3) the
787 federally mandated congestion charges, as defined in section 16-1 of
788 the general statutes, as amended by this act. If an electric distribution
789 company has, for six consecutive months, earned a return on equity
790 below the return authorized by the department, earnings of such
791 electric distribution companies that are adversely affected owing to
792 decreased energy use attributable to implementation of the provisions
793 of sections 16-1, 16-19ss, 16-50k, 16-50x, 16-244c, 16-244e, 16-245d, 16-
794 245m, and 16-245n, of the general statutes, as amended by this act, and
795 sections 8 to 17, inclusive, and 20 and 21 of this act are recoverable
796 pursuant to the provisions of section 16-19kk of the general statutes.

797 (b) Electric distribution companies shall be authorized to earn an
798 incentive, as provided in section 16-19kk of the general statutes, for
799 costs prudently incurred by such companies pursuant to this section.

800 Sec. 16. (NEW) (*Effective from passage*) (a) On and after January 1,
801 2007, each electric distribution company providing standard service
802 pursuant to section 16-244c of the general statutes, as amended by this
803 act, and each electric supplier as defined in section 16-1 of the general
804 statutes, as amended by this act, shall demonstrate to the satisfaction of
805 the Department of Public Utility Control that not less than one per cent
806 of the total output of such supplier or such standard service of an
807 electric distribution company shall be obtained from Class III
808 resources. On and after January 1, 2008, not less than two per cent of
809 the total output of any such supplier or such standard service of an
810 electric distribution company shall, on demonstration satisfactory to
811 the Department of Public Utility Control, be obtained from Class III

812 resources. On or after January 1, 2009, not less than three per cent of
813 the total output of any such supplier or such standard service of an
814 electric distribution company shall, on demonstration satisfactory to
815 the Department of Public Utility Control, be obtained from Class III
816 resources. On and after January 1, 2010, not less than four per cent of
817 the total output of any such supplier or such standard service of an
818 electric distribution company shall, on demonstration satisfactory to
819 the Department of Public Utility Control, be obtained from Class III
820 resources. Electric power obtained from customer-side distributed
821 resources that does not meet air quality standards of the Department
822 of Environmental Protection is not eligible for purposes of meeting the
823 percentage standards in this section.

824 (b) The Department of Public Utility Control shall assess each
825 electric supplier and each electric distribution company that fails to
826 meet the percentage standards of subsection (a) of this section a charge
827 of up to five and five-tenths cents for each kilowatt hour of electricity
828 that such supplier or company is deficient in meeting such percentage
829 standards. Seventy-five per cent of such assessed charges shall be
830 deposited in the Energy Conservation and Load Management Fund
831 established in section 16-245m of the general statutes, as amended by
832 this act, and twenty-five per cent shall be deposited in the Renewable
833 Energy Investment Fund established in section 16-245n of the general
834 statutes, as amended by this act, except that such seventy-five per cent
835 of assessed charges with respect to an electric supplier shall be divided
836 among the Energy Conservation and Load Management Funds of
837 electric distribution companies in proportion to the amount of
838 electricity such electric supplier provides to end use customers in the
839 state using the facilities of each electric distribution company.

840 (c) An electric supplier or electric distribution company may satisfy
841 the requirements of this section by participating in a conservation and
842 distributed resources trading program approved by the Department of
843 Public Utility Control. Credits created by conservation and customer-
844 side distributed resources shall be allocated to the person that
845 conserved the electricity or installed the project for customer-side

846 distributed resources to which the credit is attributable and to the
847 Energy Conservation and Load Management Fund. Such credits shall
848 be made in the following manner: A minimum of twenty-five per cent
849 of the credits shall be allocated to the person that conserved the
850 electricity or installed the project for customer-side distributed
851 resources to which the energy credit is attributable and the remainder
852 of the credits shall be allocated to the Energy Conservation and Load
853 Management Fund, based on a schedule created by the department no
854 later than January 1, 2007, and reviewed annually thereafter. The
855 department may, in a proceeding and for good cause shown, allocate a
856 larger proportion of such credits to the person who conserved the
857 electricity or installed the customer-side distributed resources. The
858 department shall consider the proportion of investment made by a
859 ratepayer through various ratepayer-funded incentive programs and
860 the resulting reduction in federally mandated congestion charges. The
861 portion allocated to the Energy Conservation and Load Management
862 Fund shall be used for measures that respond to energy demand and
863 for peak reduction programs.

864 (d) An electric distribution company providing standard service
865 may contract with its wholesale suppliers to comply with the
866 conservation and customer-side distributed resources standards set
867 forth in subsection (a) of this section. The Department of Public Utility
868 Control shall annually conduct a contested case, in accordance with the
869 provisions of chapter 54 of the general statutes, to determine whether
870 the electric distribution company's wholesale suppliers met the
871 conservation and distributed resources standards during the preceding
872 year. Any such contract shall include a provision that requires such
873 supplier to pay the electric distribution company in an amount of up to
874 five and one-half cents per kilowatt hour if the wholesale supplier fails
875 to comply with the conservation and distributed resources standards
876 during the subject annual period. The electric distribution company
877 shall immediately transfer seventy-five per cent of any payment
878 received from the wholesale supplier for the failure to meet the
879 conservation and distributed resources standards to the Energy

880 Conservation and Load Management Fund and twenty-five per cent to
881 the Renewable Energy Investment Fund. Any payment made pursuant
882 to this section shall not be considered revenue or income to the electric
883 distribution company.

884 (e) The Department of Public Utility Control shall conduct a
885 contested proceeding to develop the administrative processes and
886 program specifications that are necessary to implement a Class III
887 conservation and distributed resources trading program. The
888 proceeding shall include, but not be limited to, an examination of
889 issues such as (1) the manner in which qualifying activities are
890 certified, tracked and reported, (2) the manner in which Class III
891 certificates are created, accounted for and transferred, (3) the feasibility
892 and benefits of expanding eligible Class III resources to include those
893 resulting from electricity savings made by residential customers, (4)
894 verification of the accuracy of conservation and customer-side
895 distributed resources credits, (5) verification of the fact that resources
896 or credits used to satisfy the requirement of this section have not been
897 used to satisfy any other portfolio or similar requirement, (6) the
898 manner in which credits created by conservation and customer-side
899 distributed resources may best be allocated to maximize the impact of
900 the trading program, and (7) setting such alternative payment amounts
901 at a level that encourages development of conservation and customer-
902 side distributed resources. The department may retain the services of a
903 third party entity with expertise in the development of energy
904 efficiency trading or verification programs to assist in the development
905 and operation of the program. The department shall issue a decision
906 no later than February 1, 2006.

907 Sec. 17. (NEW) (*Effective from passage*) (a) Each municipal electric
908 utility created pursuant to chapter 101 of the general statutes or by
909 special act shall, for conservation and load management programs
910 pursuant to this section, accrue from each kilowatt hour of its metered
911 firm electric retails sales, exclusive of such sales to United States
912 government naval facilities in this state, no less than the following
913 amounts during the following periods, in a manner conforming to the

914 requirement of this section: (1) 1.0 mills on and after January 1, 2006;
915 (2) 1.4 mills on and after January 1, 2007; (3) 1.8 mills on and after
916 January 1, 2008; (4) 2.2 mills on and after January 1, 2009; (5) 2.6 mills
917 on and after January 1, 2010; and (6) 3.0 mills on and after January 1,
918 2011.

919 (b) There is hereby created a Municipal Energy Conservation and
920 Load Management Fund in each municipal electric energy cooperative
921 created pursuant to chapter 101a of the general statutes, which fund
922 shall be a separate and dedicated fund to be held and administered by
923 such cooperative. Each municipal electric utility created pursuant to
924 chapter 101 of the general statutes or by special act that is a member or
925 participant in such a municipal electric energy cooperative shall accrue
926 and deposit such amounts as specified in subsection (a) of this section
927 into such fund. Any balance remaining in the fund at the end of any
928 fiscal year shall be carried forward in the fiscal year next succeeding.
929 Disbursements from the fund shall be made pursuant to the
930 comprehensive electric conservation and load management plan
931 prepared by the cooperative in accordance with subsection (c) of this
932 section.

933 (c) Such cooperative shall, annually, adopt a comprehensive plan for
934 the expenditure of such funds by the cooperative on behalf of such
935 municipal electric utilities for the purpose of carrying out electric
936 conservation, energy efficiency and electric load management
937 programs funded by the charge accrued pursuant to subsection (a) of
938 this section. The cooperative shall expend or cause to be expended the
939 amounts held in such fund in conformity with the adopted plan. The
940 plan may direct the expenditure of funds on facilities or measures
941 located in any one or more of the service areas of the municipal electric
942 utilities who are members or participants in such cooperative and may
943 provide for the establishment of goals and standards for measuring the
944 cost effectiveness of expenditures made from such fund, for the
945 minimization of federally mandated congestion charges and for
946 achieving appropriate geographic coverage and scope in each such
947 service area. Such plan shall be consistent with the comprehensive

948 plan of the Energy Conservation Management Board established under
949 section 16-245m of the general statutes, as amended by this act. Such
950 cooperative, annually, shall submit its plan to such board for review.

951 Sec. 18. Subsection (a) of section 16-50k of the general statutes is
952 repealed and the following is substituted in lieu thereof (*Effective from*
953 *passage*):

954 (a) Except as provided in subsection (b) of section 16-50z, no person
955 shall exercise any right of eminent domain in contemplation of,
956 commence the preparation of the site for, or commence the
957 construction or supplying of a facility, or commence any modification
958 of a facility, that may, as determined by the council, have a substantial
959 adverse environmental effect in the state without having first obtained
960 a certificate of environmental compatibility and public need,
961 hereinafter referred to as a "certificate", issued with respect to such
962 facility or modification by the council, except fuel cells with a
963 generating capacity of ten kilowatts or less which shall not require
964 such certificate. Any facility with respect to which a certificate is
965 required shall thereafter be built, maintained and operated in
966 conformity with such certificate and any terms, limitations or
967 conditions contained therein. Notwithstanding the provisions of this
968 chapter or title 16a, the council shall, in the exercise of its jurisdiction
969 over the siting of generating facilities, approve by declaratory ruling
970 (1) the construction of a facility solely for the purpose of generating
971 electricity, other than an electric generating facility that uses nuclear
972 materials or coal as fuel, at a site where an electric generating facility
973 operated prior to July 1, [1998] 2002, (2) the construction or location of
974 any fuel cell, unless the council finds a substantial adverse
975 environmental effect, or of any customer-side distributed resources
976 project or facility or grid-side distributed resources project or facility
977 with a capacity of not more than twenty-five megawatts, so long as
978 such project meets air quality standards of the Department of
979 Environmental Protection, and (3) the siting of temporary generation
980 solicited by the Department of Public Utility Control pursuant to
981 section 16-19ss, as amended by this act.

982 Sec. 19. (NEW) (*Effective from passage*) The provisions of sections 16-
983 1, 16-19ss, 16-32f, 16-50i, 16-50k, 16-50x, 16-244c, 16-244e, 16-245d, 16-
984 245m and 16-245n of the general statutes, as amended by this act, and
985 sections 8 to 17, inclusive, and 20 and 21 of this act apply to customer-
986 side distributed resources and grid-side distributed resources
987 developed in this state that add electric capacity on and after January
988 1, 2006, and in accordance with the provisions of said sections 16-1, 16-
989 19ss, 16-32f, 16-50i, 16-50k, 16-50x, 16-244c, 16-244e, 16-245d, 16-245m
990 and 16-245n, and sections 8 to 17, inclusive, and 20 and 21 of this act.

991 Sec. 20. (NEW) (*Effective from passage*) Not later than October 1, 2005,
992 the Department of Public Utility Control and the Energy Conservation
993 Management Board, established in section 16-245m of the general
994 statutes, as amended by this act, shall establish links on their Internet
995 web sites to the Energy Star program or successor program that
996 promotes energy efficiency and each electric distribution company
997 shall establish a link under its conservation programs on its Internet
998 web site to the Energy Star program or such successor program.

999 Sec. 21. (NEW) (*Effective from passage*) The Department of Public
1000 Utility Control shall conduct an investigation on how best to decouple
1001 the earnings of natural gas companies and other public service
1002 companies from their sales to promote the state's energy policy. The
1003 department shall report, in accordance with the provisions of section
1004 11-4a of the general statutes, its findings and recommendations for
1005 legislation to the joint standing committee of the General Assembly
1006 having cognizance of matters relating to energy and technology on or
1007 before January 1, 2006.

1008 Sec. 22. Section 16-32f of the general statutes is repealed and the
1009 following is substituted in lieu thereof (*Effective July 1, 2005*):

1010 (a) On or before October first of each even-numbered year, a gas
1011 company, as defined in section 16-1, as amended by this act, shall
1012 furnish a report to the Department of Public Utility Control containing
1013 a five-year forecast of loads and resources. The report shall describe

1014 the facilities and supply sources that, in the judgment of such gas
1015 company, will be required to meet gas demands during the forecast
1016 period. The report shall be made available to the public and shall be
1017 furnished to the chief executive officer of each municipality in the
1018 service area of such gas company, the regional planning agency which
1019 encompasses each such municipality, the Attorney General, the
1020 president pro tempore of the Senate, the speaker of the House of
1021 Representatives, the joint standing committee of the General Assembly
1022 having cognizance of matters relating to public utilities, any other
1023 member of the General Assembly making a request to the department
1024 for the report and such other state and municipal entities as the
1025 department may designate by regulation. The report shall include: (1)
1026 A tabulation of estimated peak loads and resources for each year; (2)
1027 data on gas use and peak loads for the five preceding calendar years;
1028 (3) a list of present and projected gas supply sources; (4) specific
1029 measures to control load growth and promote conservation; and (5)
1030 such other information as the department may require by regulation. A
1031 full description of the methodology used to arrive at the forecast of
1032 loads and resources shall also be furnished to the department. The
1033 department shall hold a public hearing on such reports upon the
1034 request of any person. On or before August first of each odd-
1035 numbered year, the department may request a gas company to furnish
1036 to the department an updated report. A gas company shall furnish any
1037 such updated report not later than sixty days following the request of
1038 the department.

1039 (b) [A] Not later than October 1, 2005, and annually thereafter, a gas
1040 company, as defined in section 16-1, as amended by this act, shall
1041 submit to the Department of Public Utility Control a gas conservation
1042 plan, [along with the company's five-year forecast, as defined in
1043 subsection (a) of this section. The plan shall include: (1) Specific
1044 quantifiable conservation and load management targets; (2)
1045 conservation option descriptions, analyses and the methodology used
1046 to evaluate conservation options reviewed by such company; and (3)
1047 an estimation of conservation option costs and benefits, sufficiently

1048 detailed to allow the department to evaluate revenue requirements
1049 and other social and environmental costs and benefits, or such other
1050 components as the department may by order direct] in accordance
1051 with the provisions of this section, to implement cost-effective energy
1052 conservation programs and market transformation initiatives. All
1053 supply and conservation and load management options shall be
1054 evaluated and selected within an integrated supply and demand
1055 planning framework. [The department shall hold a public hearing on
1056 such plans in conjunction with the public hearing held pursuant to
1057 subsection (a) of this section. On or before August first of each odd-
1058 numbered year, the department may request a gas company to submit
1059 an updated plan to the department. A gas company shall furnish any
1060 such updated plan not later than sixty days following the request of
1061 the department.] The department shall, in an uncontested proceeding
1062 during which the department may hold a public hearing, approve,
1063 modify or reject the plan.

1064 (c) (1) The Energy Conservation Management Board, established
1065 pursuant to section 16-245m, as amended by this act, shall advise and
1066 assist each such gas company in the development and implementation
1067 of the plan submitted under subsection (b) of this section. Each
1068 program contained in the plan shall be reviewed by each such gas
1069 company and shall be either accepted, modified or rejected by the
1070 Energy Conservation Management Board before submission of the
1071 plan to the department for approval. The Energy Conservation
1072 Management Board shall, as part of its review, examine opportunities
1073 to offer joint programs providing similar efficiency measures that save
1074 more than one fuel resource or to otherwise coordinate programs
1075 targeted at saving more than one fuel resource. Any costs for joint
1076 programs shall be allocated equitably among the conservation
1077 programs.

1078 (2) Programs included in the plan shall be screened through cost-
1079 effectiveness testing that compares the value and payback period of
1080 program benefits to program costs to ensure that the programs are
1081 designed to obtain gas savings whose value is greater than the costs of

1082 the program. Program cost-effectiveness shall be reviewed annually by
1083 the department, or otherwise as is practicable. If the department
1084 determines that a program fails the cost-effectiveness test as part of the
1085 review process, the program shall either be modified to meet the test
1086 or shall be terminated. On or before January 1, 2007, and annually
1087 thereafter, the board shall provide a report, in accordance with the
1088 provisions of section 11-4a, to the joint standing committees of the
1089 General Assembly having cognizance of matters relating to energy and
1090 the environment, that documents expenditures and funding for such
1091 programs and evaluates the cost-effectiveness of such programs
1092 conducted in the preceding year, including any increased cost-
1093 effectiveness owing to offering programs that save more than one fuel
1094 resource.

1095 (3) Programs included in the plan may include, but are not limited
1096 to: (A) Conservation and load management programs, including
1097 programs that benefit low-income individuals; (B) research,
1098 development and commercialization of products or processes that are
1099 more energy-efficient than those generally available; (C) development
1100 of markets for such products and processes; (D) support for energy use
1101 assessment, engineering studies and services related to new
1102 construction or major building renovations; (E) the design,
1103 manufacture, commercialization and purchase of energy-efficient
1104 appliances, air conditioning and heating devices; (F) program planning
1105 and evaluation; (G) joint fuel conservation initiatives and programs
1106 targeted at saving more than one fuel resource; and (H) public
1107 education regarding conservation. Such support may be by direct
1108 funding, manufacturers' rebates, sale price and loan subsidies, leases
1109 and promotional and educational activities. The plan shall also provide
1110 for expenditures by the Energy Conservation Management Board for
1111 the retention of expert consultants and reasonable administrative costs,
1112 provided such consultants shall not be employed by, or have any
1113 contractual relationship with, a gas company. Such costs shall not
1114 exceed five per cent of the total cost of the plan.

1115 (d) Nothing in this section shall be construed to require the

1116 Department of Public Utility Control to establish a conservation charge
1117 to support the programs in this section.

1118 Sec. 23. Subsection (a) of section 16-50x of the general statutes is
1119 repealed and the following is substituted in lieu thereof (*Effective July*
1120 *1, 2005*):

1121 (a) Notwithstanding any other provision of the general statutes to
1122 the contrary, except as provided in section 16-243, the council shall
1123 have exclusive jurisdiction over the location and type of facilities and
1124 over the location and type of modifications of facilities subject to the
1125 provisions of subsection (d) of this section. In ruling on applications
1126 for certificates or petitions for a declaratory ruling for facilities and on
1127 requests for shared use of facilities, the council shall give such
1128 consideration to other state laws and municipal regulations as it shall
1129 deem appropriate. Whenever the council certifies a facility pursuant to
1130 this chapter, such certification shall satisfy and be in lieu of all
1131 certifications, approvals and other requirements of state and municipal
1132 agencies in regard to any questions of public need, convenience and
1133 necessity for such facility.

1134 Sec. 24. Subsection (a) of section 16-50i of the general statutes is
1135 repealed and the following is substituted in lieu thereof (*Effective from*
1136 *passage*):

1137 (a) "Facility" means: (1) An electric transmission line of a design
1138 capacity of sixty-nine kilovolts or more, including associated
1139 equipment but not including a transmission line tap, as defined in
1140 subsection (e) of this section; (2) a fuel transmission facility, except a
1141 gas transmission line having a design capability of less than two
1142 hundred pounds per square inch gauge pressure or having a design
1143 capacity of less than twenty per cent of its specified minimum yield
1144 strength; (3) any electric generating or storage facility using any fuel,
1145 including nuclear materials, including associated equipment for
1146 furnishing electricity but not including an emergency generating
1147 device, as defined in subsection (f) of this section or a facility (i) owned

1148 and operated by a private power producer, as defined in section
1149 16-243b, (ii) which is a qualifying small power production facility or a
1150 qualifying cogeneration facility under the Public Utility Regulatory
1151 Policies Act of 1978, as amended, or a facility determined by the
1152 council to be primarily for a producer's own use, and (iii) which has, in
1153 the case of a facility utilizing renewable energy sources, a generating
1154 capacity of one megawatt of electricity or less and, in the case of a
1155 facility utilizing cogeneration technology, a generating capacity of
1156 twenty-five megawatts of electricity or less; (4) any electric substation
1157 or switchyard designed to change or regulate the voltage of electricity
1158 at sixty-nine kilovolts or more or to connect two or more electric
1159 circuits at such voltage, which substation or switchyard may have a
1160 substantial adverse environmental effect, as determined by the council
1161 established under section 16-50j, and other facilities which may have a
1162 substantial adverse environmental effect as the council may, by
1163 regulation, prescribe; (5) such community antenna television towers
1164 and head-end structures, including associated equipment, which may
1165 have a substantial adverse environmental effect, as said council shall,
1166 by regulation, prescribe; (6) such telecommunication towers, including
1167 associated telecommunications equipment, owned or operated by the
1168 state, a public service company or a certified telecommunications
1169 provider or used in a cellular system, as defined in the Code of Federal
1170 Regulations Title 47, Part 22, as amended, which may have a
1171 substantial adverse environmental effect, as said council shall, by
1172 regulation, prescribe; and (7) any component of a proposal submitted
1173 pursuant to the request-for-proposal process.

1174 Sec. 25. Subparagraph (D) of subdivision (2) of subsection (b) of
1175 section 16-244c of the general statutes is repealed and the following is
1176 substituted in lieu thereof (*Effective July 1, 2005*):

1177 (D) The transitional standard offer (i) shall be adjusted to the extent
1178 of any increase or decrease in state taxes attributable to sections 12-264
1179 and 12-265 and any other increase or decrease in state or federal taxes
1180 resulting from a change in state or federal law, (ii) shall be adjusted to
1181 provide for the cost of contracts under subdivision (2) of subsection (j)

1182 of this section, as amended by this act, and the administrative costs for
1183 the procurement of such contracts, and (iii) shall continue to be
1184 adjusted during such period pursuant to section 16-19b. Savings
1185 attributable to a reduction in taxes shall not be shifted between
1186 customer classes. Notwithstanding the provisions of section 16-19b, the
1187 provisions of section 16-19b shall apply to electric distribution
1188 companies.

1189 Sec. 26. Subsection (j) of section 16-244c of the general statutes is
1190 repealed and the following is substituted in lieu thereof (*Effective*
1191 *October 1, 2005*):

1192 (j) (1) Notwithstanding the provisions of subsection (d) of this
1193 section regarding an alternative transitional standard offer option or
1194 an alternative standard service option, an electric distribution
1195 company providing transitional standard offer service, standard
1196 service, supplier of last resort service or back-up electric generation
1197 service in accordance with this section shall contract with its wholesale
1198 suppliers to comply with the renewable portfolio standards. The
1199 Department of Public Utility Control shall annually conduct a
1200 contested case, in accordance with the provisions of chapter 54, in
1201 order to determine whether the electric distribution company's
1202 wholesale suppliers met the renewable portfolio standards during the
1203 preceding year. An electric distribution company shall include a
1204 provision in its contract with each wholesale supplier that requires the
1205 wholesale supplier to pay the electric distribution company an amount
1206 of five and one-half cents per kilowatt hour if the wholesale supplier
1207 fails to comply with the renewable portfolio standards during the
1208 subject annual period. The electric distribution company shall
1209 promptly transfer any payment received from the wholesale supplier
1210 for the failure to meet the renewable portfolio standards to the
1211 Renewable Energy Investment Fund for the development of Class I
1212 renewable energy sources. Any payment made pursuant to this section
1213 shall not be considered revenue or income to the electric distribution
1214 company.

1215 (2) Notwithstanding the provisions of subsection (d) of this section
1216 regarding an alternative transitional standard offer option or an
1217 alternative standard service option, an electric distribution company
1218 providing transitional standard offer service, standard service,
1219 supplier of last resort service or back-up electric generation service in
1220 accordance with this section shall, not later than July 1, [2007] 2008, file
1221 with the Department of Public Utility Control for its approval one or
1222 more long-term power purchase contracts from Class I renewable
1223 energy source projects that receive funding from the Renewable
1224 Energy Investment Fund and that are not less than one megawatt in
1225 size, at a price that is either, at the determination of the project owner,
1226 (1) not more than the total of the comparable wholesale market price
1227 for generation plus five and one-half cents per kilowatt hour plus five
1228 and one-half cents per kilowatt hour, or (2) fifty per cent of the
1229 wholesale market electricity cost at the point at which transmission
1230 lines intersect with each other or interface with the distribution system,
1231 plus fifty per cent of the projected cost of fuel indexed to natural gas
1232 futures contracts on the New York Mercantile Exchange at the natural
1233 gas pipeline interchange located in Vermillion Parish, Louisiana that
1234 serves as the delivery point for such futures contracts, plus the fuel
1235 delivery charge for transporting fuel to the project, plus five and one-
1236 half cents. In its approval of such contracts, the department shall give
1237 preference to purchase contracts from those projects that would
1238 provide a financial benefit to ratepayers or would enhance the
1239 reliability of the electric transmission system of the state. Such projects
1240 shall be located in this state. The owner of a fuel cell project principally
1241 manufactured in this state, shall be allocated all available air emissions
1242 credits and tax credits attributable to the project and no less than fifty
1243 per cent of the energy credits in the Class I renewable energy credits
1244 program established in section 16-245a attributable to the project. Such
1245 contracts shall be comprised of not less than a total, apportioned
1246 among each electric distribution company, of one hundred megawatts.
1247 The cost of such contracts and the administrative costs for the
1248 procurement of such contracts directly incurred shall be eligible for
1249 inclusion in the [generation services charge component of rates]

1250 adjustment to the transitional standard offer as provided in this section
1251 and any subsequent rates for standard service, provided [that] such
1252 contracts are for a period of time sufficient to provide financing for
1253 such projects, but not less than ten years and are for projects which
1254 began operation on or after July 1, 2003. [The] Except as provided in
1255 this subdivision, the amount from Class I renewable energy sources
1256 contracted under such contracts shall be applied to reduce the
1257 applicable Class I renewable energy source portfolio standards. For
1258 purposes of this subdivision, the department's determination of the
1259 comparable wholesale market price for generation shall be based upon
1260 a reasonable estimate.

1261 Sec. 27. Section 16-244c of the general statutes is amended by adding
1262 subsection (k) as follows (*Effective from passage*):

1263 (NEW) (k) (1) In addition to its costs received pursuant to this
1264 section, each electric distribution company shall, as compensation for
1265 providing standard service, receive an amount equal to two-tenths of
1266 one mill per kilowatt hour, which shall be included in the rates of such
1267 company. Revenues from such compensation shall not be included in
1268 calculating the electric distribution company's earnings for purposes
1269 of, or in determining whether its rates are just and reasonable under,
1270 sections 16-19, 16-19a and 16-19e, including an earnings sharing
1271 mechanism. In addition, each electric distribution company may earn
1272 compensation for mitigating the prices of the contracts for the
1273 provision of electric generation services, as provided in subdivision (2)
1274 of this subsection.

1275 (2) The department shall conduct a contested case proceeding
1276 pursuant to the provisions of chapter 54 to establish an incentive plan
1277 for the procurement of long-term contracts for standard service by an
1278 electric distribution company. The incentive plan shall be based on a
1279 comparison of the actual average firm full requirements service
1280 contract price for electricity obtained by the electric distribution
1281 company for the preceding year, compared to the regional average
1282 firm full requirements service contract price for electricity for the

1283 preceding year, adjusted for such variables as the department
 1284 considers appropriate, including, but not limited to, differences in
 1285 locational installed capacity payments. If the actual average firm full
 1286 requirements service contract price obtained by the electric
 1287 distribution company for the preceding year is less than the actual
 1288 regional average firm full requirements service contract price for the
 1289 preceding year, the department shall divide the difference equally
 1290 between ratepayers and the company, up to a maximum fifty-five
 1291 hundredths mill per kilowatt hour in revenues to such company.
 1292 Revenues from such incentive plan shall not be included in calculating
 1293 the electric distribution company's earnings for purposes of, or in
 1294 determining whether its rates are just and reasonable under sections
 1295 16-19, 16-19a and 16-19e. The department may, as it considers
 1296 necessary, retain a third party entity with expertise in energy
 1297 procurement to assist with the development of such incentive plan.
 1298 The costs of such incentive shall be recoverable through the charge to
 1299 recover federally mandated congestion charges.

1300 (3) The provisions of this subsection shall terminate on December
 1301 31, 2009.

1302 (4) On or before January 1, 2009, the department shall report, in
 1303 accordance with the provisions of section 11-4a, to the joint standing
 1304 committee of the General Assembly having cognizance of matters
 1305 relating to energy its recommendations as to whether the provisions of
 1306 this section should be extended."

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	16-1(a)
Sec. 2	<i>from passage</i>	16-1(a)(40) and (41)
Sec. 3	<i>from passage</i>	16-19ss(d)
Sec. 4	<i>from passage</i>	16-244e(a)(6)
Sec. 5	<i>from passage</i>	16-245m
Sec. 6	<i>from passage</i>	16-245n
Sec. 7	<i>July 1, 2005</i>	16-245d(a)

Sec. 8	<i>from passage</i>	New section
Sec. 9	<i>from passage</i>	New section
Sec. 10	<i>from passage</i>	New section
Sec. 11	<i>from passage</i>	New section
Sec. 12	<i>from passage</i>	New section
Sec. 13	<i>from passage</i>	New section
Sec. 14	<i>from passage</i>	New section
Sec. 15	<i>from passage</i>	New section
Sec. 16	<i>from passage</i>	New section
Sec. 17	<i>from passage</i>	New section
Sec. 18	<i>from passage</i>	16-50k(a)
Sec. 19	<i>from passage</i>	New section
Sec. 20	<i>from passage</i>	New section
Sec. 21	<i>from passage</i>	New section
Sec. 22	<i>July 1, 2005</i>	16-32f
Sec. 23	<i>July 1, 2005</i>	16-50x(a)
Sec. 24	<i>from passage</i>	16-50i(a)
Sec. 25	<i>July 1, 2005</i>	16-244c(b)(2)(D)
Sec. 26	<i>October 1, 2005</i>	16-244c(j)
Sec. 27	<i>from passage</i>	16-244c